

Outpatient Prospective Payment System (OPPS) Implementation Issue Messages - 02/06/06 To Workgroup Members

APC Project Workgroup Members -

We have updated the OPPS website with more information including an updated timeline, a workgroup membership listing, weekly issues e-mails, and a new link to MDCH's OPPS Implementation Decision Documents. We hope you take a moment to review these updates as well as the decision documents which will provide more detailed information on current implementation issues and decisions. Click on the following link or copy/paste it into your browser to visit MDCH's OPPS website: http://www.michigan.gov/mdch/0,1607,7-132-2945_5100-130286--,00.html

This weeks Issue: OPPS Draft Policy Bulletin

Background: At our November 2005 workgroup meeting, MDCH distributed the attached Discussion Document which outlined MDCH's proposed OPPS Implementation policies and decisions. This was the first step in bringing the many issues to the table for all workgroup members to discuss and comment on at an early phase in the Implementation Project.

Issue: Realizing that many members of the workgroup have a working knowledge and direct experience with Medicare's OPPS, we would like to encourage workgroup members to once again comment and raise questions regarding the proposed policies and decisions. MDCH is nearing the release of the Draft Policy Bulletin and would like to ensure that workgroup members have had an opportunity to raise questions and share their insight as active members of the workgroup.

Questions:

Keeping in mind that MDCH is proposing to follow Medicare's OPPS coverage and billing guidelines as closely as possible:

- 1) Are there any topics/issues that are not specifically addressed in this previously released discussion document?
- 2) What are the major coverage and billing issue changes your organization foresees under the proposed OPPS?
- 3) Are there any specific codes or services that you have a concern regarding coverage or billing requirements under the proposed OPPS?
- 4) What do you see as the biggest obstacle(s) in successfully implementing an OPPS for your organization?
- 5) Other comments, suggestions and/or questions regarding MDCH's proposed OPPS implementation.

Thank you again in advance for your response.

The Michigan Department of Community Health (MDCH) proposes to implement an Outpatient Prospective Payment System (OPPS) reimbursement methodology for Outpatient Hospitals (provider type 40) for services provided on and after July 1, 2006.

In order to facilitate coordination of benefits and relieve administrative burden on Medicaid-enrolled hospitals, the MDCH OPPS will follow as closely as possible and appropriate, Medicare's current OPPS claim submission and payment policies. MDCH deviations from Medicare OPPS policy are detailed in this bulletin.

Excluded Hospitals

All Medicaid-enrolled outpatient hospitals will be reimbursed utilizing the Ambulatory Payment Classification (APC) methodology. Hospitals currently excluded from Medicare APC reimbursement (e.g., childrens hospitals, critical access hospitals, etc.) will **not** be excluded by MDCH.

APC Variables

MDCH will **not** utilize Medicare wage indices. A factor of 1.0 will be applied for all providers.

MDCH **will** utilize Medicare APC weights.

Each hospital's Medicaid outpatient cost to charge ratio, obtained from its most recently filed approved cost report, will be utilized.

Reduction Factor

It is the intent of the MDCH to implement OPPS in a budget-neutral manner. The OPPS reduction factor will initially be set at 55%. MDCH will monitor payments made under its OPPS during the first six months of implementation and adjust the reduction factor as necessary to assure budget neutrality. On an ongoing basis, MDCH will evaluate the reduction factor with each update of its OPPS to assure outpatient hospital payments do not exceed appropriated funding.

Benchmarks will be established based on FY 05 outpatient hospital paid claims, and utilized to evaluate budget neutrality. The benchmarks will address:

- Claim volume
- Payment to charge ratio
- Charge volume adjusted by claim turnaround

Transitional Payments

No transitional payments will be made.

Outlier Payments

MDCH will implement Medicare's APC outlier payment policy.

Inpatient Only Services

MDCH will adopt Medicare's inpatient only services list without modification.

Excluded Services

Mental health and substance abuse services provided through the Prepaid Inpatient Health Plans (PIHPs) are excluded from APC reimbursement.

Other OPPS/Non-APC Services

- **Dialysis:** MDCH will retain its current coverage/reimbursement policies and fee schedule for chronic (series-billed) dialysis services. Medicare billing requirements will apply (i.e., claims must include appropriate diagnosis code, patient height/weight, etc.). MDCH will not, however, reimburse these services utilizing Medicare's reimbursement logic/case rate.
- **DME:** The analysis of how MDCH will address DME items billable by the outpatient hospital under its OPPS is still under review.
- **Lab:** MDCH covered laboratory services will be reimbursed based on 55% of the current Medicare fee (**or** Medicare fee in effect on January 1 of each year??). No daily lab dollar limit will be applied. A review of procedures not covered by Medicare is currently underway.
- **Therapies:** The analysis of how MDCH will address therapies under its OPPS is still under review.

Observation Room Services

MDCH will promulgate and implement observation room coverage policy separate from the OPPS implementation. The policy, to be implemented by 4/1/06, will not change under OPPS.

Medicare/Medicaid Coverage Differences

Coverage differences between Medicare and Medicaid are still under review for implementation under OPPS. Listed below are categories currently being analyzed.

- Dental
- Sterilizations
- Well Visits
- Injectables & Biologicals (Vaccines)
- Family Planning

OPPS Editing

MDCH will utilize Medicare's Outpatient Code Editor (OCE), including CCI editing. MDCH proprietary edits are being reviewed to determine those appropriate to retain (e.g., diagnosis editing of emergency department services, frequency/occurrence/quantity editing, PA and documentation editing, and Third Party Liability editing).

OPPS Updates

MDCH will implement applicable Medicare OPPS edit/code and reimbursement/rate changes instep with Medicare.

Claim Completion

Medicare claim completion instructions should be followed except as described in this section.

All services for a single outpatient encounter must be reported on one claim except for Medicare's allowable repetitively billed services. MDCH will follow Medicare's guidelines for monthly repetitive/series billing, however the current 50 service line limit will continue until the MDCH claims processing system replacement is completed.

For Medicare/Medicaid dually eligible beneficiaries, providers are to follow current MDCH instructions for crossover claims.

Remittance Advice

The MDCH electronic (835) remittance and paper remittance advice will report the APC(s) assigned, and HIPAA reason and remark codes. MDCH is still reviewing its proprietary paper remittance advice for changes under OPPS.

APC Implementation Plan

Hospitals (or their billing agents) enrolled with Michigan Medicaid are encouraged to participate in the business-to-business (B2B) testing process established for OPPS implementation to assure their outpatient claims will process correctly through the MDCH claims processing system. The process will allow providers to submit electronic test claims in the 837I v4010A format to MDCH for processing and have test results reported back in the 835/277 format. B2B testing will begin XX/XX/06 and continue through implementation. B2B testing instructions are available on the MDCH website at www.michigan.gov/mdch >>Providers>>Information for Medicaid Providers>>Electronic Billing>>837 B2B Testing Instructions.

Hospitals are also encouraged to test with any Medicaid Health Plan for which they provide services and are reimbursed based on Medicaid fee-for-service methodology.

MDCH will also select a representative group of hospitals that have successfully completed B2B testing to participate in a three-month OPPS pilot/parallel process scheduled to begin April 1, 2006.

Participation in the B2B testing and the pilot period are essential to the successful implementation of OPPS.